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Charles Koch's Brain

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Richard Fink doesn't want to be profiled. He hates the idea, actually. And he'd really rather not be featured on *The Politico 50*, for which he protests he's not even a "viable" candidate. It doesn't matter to Fink that you know who he is, or that he has served for decades as chief political adviser to one of the world's wealthiest and most powerful businessmen. He prefers to operate in the background, thinking one move ahead in the ideological chess game that has been his life's work, as a trusted confidant to billionaire industrialist Charles Koch and an architect of a remarkable political ascent that has earned Charles and his brother David the grudging acceptance of the GOP establishment—and the venom of the left.

The 63-year-old, silver-haired strategist, a man largely unknown outside a small circle of like-minded conservative operatives, has spent more than 30 years overseeing Charles's multifarious philanthropic, political and public policy endeavors—the "Kochtopus," to its detractors. He is officially an executive vice president of Koch Industries, where he has spent much of his career overseeing the company's legal, lobbying and public affairs divisions, and integrating them into a single unit that was eventually dubbed Koch Companies Public Sector. In that role, Fink has become one of the most powerful political players in America—and he's done it without attracting almost any attention to himself.

"What about skipping the profile," Fink proposes, "and talking about important things—and I am not one of those in the scheme of things." He would prefer, he says, to talk big picture and riff on the "vision for humanity" and "belief systems" that guide the Kochs' public policy agenda.

Prior to our interview in August, he had assigned some light reading: Chapter 1 and the 1984 postscript of Viktor Frankl's *Man's Search for Meaning*, the autobiography of Frederick Douglass ("one of my top two or three heroes in life") and Martin Luther King Jr.'s sermon on "The Three Dimensions of a Complete Life." This is on top of the two other tomes he had already suggested to "understand the essence of what we are dedicated to."

These are not the touchstones of a slick political operator, but of a "fuzzy-headed professor," as one conservative strategist who has known Fink for years characterized him to me. But it is not his professorial demeanor that made Fink the indispensable

man in Charles Koch's corporate and ideological empire; it is his ability to translate all that theory into practice.

Considering how poorly their first meeting went, Fink still finds it hard to believe that Charles placed his confidence in him. In 1978, Fink was a 27-year-old doctoral student at New York University, which at the time had the country's lone graduate program focused on Austrian economics, a school of free-market thought that opposes government intrusion into the "spontaneous order" of the economy. Fink had done his undergrad work at Rutgers University, not far from his hometown of Maplewood, New Jersey.

Fink ended up at Rutgers quite literally by accident. As a teenager, he injured his back loading freight cars in Port Elizabeth. He suddenly had to find a new career and applied to a half-dozen colleges. Rutgers accepted him, despite a rabble-rousing background that bordered on juvenile delinquency. "The first 18 years of my life, I would say that if there were trouble anywhere within a 5-square-mile radius of where I was, somehow I would be in the middle of it within a few minutes," Fink says. He enrolled in an economics course without even knowing what economics was and quickly grew captivated by a libertarian-minded professor named Walter Grinder and his lectures on moral philosophy.

Teaching part-time at Rutgers as he worked toward his Ph.D., Fink began investigating the possibility of founding a program dedicated to Austrian economics. Charles Koch, then developing a reputation as the moneybags bankrolling the libertarian movement, was on Fink's short list of possible funders. The young economist phoned Koch's Wichita office obsessively until, one day, the businessman came on the line and invited Fink to Kansas to make his pitch.

For the meeting, Fink purchased what he considered a snazzy suit (he didn't own one). It was made of black polyester and accented with white piping. Underneath, he wore a checkered shirt and a bright blue tie. With his long hair and unruly beard, Fink looked like he was trying out for the Bee Gees.

When they met, Koch flipped impassively through Fink's proposal, seemingly unimpressed. Fink returned home assuming the industrialist wasn't interested. But not long after the meeting, Koch came through with \$150,000 to fund Fink's program.

Years later, Fink asked Koch why. "If a guy came up to me with a black polyester suit, white piping, dressed like that with a beard and hair down to his shoulders, I don't think I would probably meet with him, let alone give him the equivalent of about \$500,000 in inflation-adjusted dollars."

"Why," he asked, "did you do that?"

"I like polyester," Koch deadpanned. "It's petroleum-based."

Something had impressed Koch about Fink—and it wasn't the suit. He wasn't one of the flaky libertarian activists Koch normally encountered, who had grand notions but little follow-through. "There are a lot of people who have ideas but they don't know [how] to get it done," Koch later reflected in an interview with the *Weekly Standard*. "Rich always had a sense for how to get something done and make it effective."

Starting with Koch's seed funding, Fink's program bloomed into one of the nation's preeminent centers of free-market scholarship and advocacy. In 1980, Fink moved the operation to the campus of George Mason University in the Virginia suburbs, where he folded the program into a broader research outfit now called the Mercatus Center, after the Latin word for "markets."

Koch poured millions into Mercatus, and the center became home to such eminent free-market economists as Nobel Prize-winner Vernon Smith and Tyler Cowen, who had moved with Fink from Rutgers. A testament to its clout: In 2001, Mercatus recommended 14 of the 23 federal rules targeted on the new Bush administration's regulatory "hit list."

By then, Fink had gone to work directly for Koch Industries. Charles Koch came to rely on him so completely that he was called into action to pacify even the most minor ripples of unrest within Kochworld. In the 1990s, Fink even stepped in as the interim head of the private school Koch's children attended, after the billionaire's attempt to foist his Market-Based Management philosophy on the institution sparked the resignation of the headmaster and a parent-teacher rebellion.

"He is almost like a fireman in the sense that he is often called on by the Kochs to address issues that pop up that need attention," says James Miller III, the White House budget director during the Reagan administration, who has served on the boards of Koch-funded organizations since the late 1980s. More than just a fixer, Miller notes, Fink is also a "grand strategist in the sense of seeing how the pieces fit together, seeing how opportunities for affecting outcomes are emerging." A former Koch Industries executive calls Fink "one of the best strategic minds I've ever been around. Some people see 2-D, some people see 3-D—Rich sees 6-D."

Based on his plan for lifting their free-market worldview out of the intellectual ghetto, Fink very quickly worked his way into the CEO's inner circle. "Richie got Charles's ear big time and convinced Charles that he, Richie, was the strategist that he needed," says Richard Wilcke, who ran the Council for a Competitive Economy, a short-lived group Koch founded in the late 1970s. "[Fink] convinced [Charles] that he was really the guy who understood the strategy and what needed to be done. And Charles bought it. He was enamored with Fink."

At the time Fink came on the scene, the Cato Institute's Ed Crane was Koch's chief political adviser. But a falling out between Koch and the think-tank president eventually provided an opening for Fink to claim the mantle of ideological consigliere. Fink's rapid rise also displaced George Pearson, who since 1969 had overseen Koch's libertarian

philanthropy. “Fink is a mover,” says a libertarian activist who knew him well. “And sometimes you have to move people if you’re a mover.”

Today, Fink is one of the few individuals within the Koch empire who unfailingly has Charles’s ear. But he created lasting enmity among the many people—mostly ideological allies—he has tangled with. The late George Mason University economics professor Charles Rowley once wrote that Fink was “a third-rate political hack” and “a man who is very appropriately named.”

But Fink produced results. His three-decade partnership with Charles Koch changed the public image of Koch Industries from a little-known energy conglomerate into a quasi-political corporate entity. Where Koch’s instinct was to steer clear of the political crossfire of Washington and remain tight-lipped at all costs, Fink advised him to “be more aggressive in defining Koch before others defined them,” the former executive says. “It was Rich who was leading the mantra with Charles that ‘we can’t be an ostrich that buries its head in the sand because what invariably happens is we get kicked in the ass.’”

In the early 1980s, Koch asked Fink to study a handful of libertarian outfits he supported with a view toward recalibrating his strategy to bring about a free-market revolution. The plan they hatched culminated three decades later in the creation of a powerful political fiefdom that threatened the GOP establishment itself.

“What we needed to do was build the foundations for a spontaneous order for freedom and that included a multifaceted, integrated structure of social change that really comes out of the early work of [Austrian economist Friedrich] Hayek,” Fink recalls. “I took his work and bastardized it, as many Austrians said, which is true. But to me, it was only a tool. It wasn’t something to be worshipped.”

The plan he and Koch eventually set in motion involved a three-tiered model in which the production, packaging and marketing of ideas was akin to the manufacturing of Lycra (one of Koch Industries’ signature products). Their plan for bringing about a free-market epoch and the business model of Koch Industries—gathering raw materials and refining them into more valuable products consumers desire—were basically one and the same.

To facilitate the production of these raw materials, Koch pumped millions of dollars into hundreds of universities. These contributions—which totaled nearly \$31 million from 2007 to 2011 alone—have gone to endow professorships, underwrite free-market economics programs and sponsor conferences for libertarian thinkers. (Koch was not a passive investor: When his foundation provided \$1.5 million to hire a pair of economics professors at Florida State University, his representatives insisted on a contract with the school that gave them veto power over job candidates.)

Step two of the process, Fink once explained in *Philanthropy* magazine, entailed taking the intellectual output of these academic programs, ideas “often unintelligible to the layperson and seemingly unrelated to real-world problems,” and refining them into a “useable form.”

This was the domain of the Cato Institute, Mercatus and the dozens of other free-market, antiregulatory policy shops that Charles, David and their foundations have supported. Organizations like these churned out reports, position papers and op-eds arguing for the privatization of Social Security; fingering public employee unions for causing state budget crises; attempting to debunk climate science; and making the case for slashing the welfare system and Medicaid.

The third piece of the master plan was mobilizing citizen-activists—or at least creating the illusion of a grass-roots groundswell. These activists would agitate for the same policies the academics had conceptualized and the think tanks had refined into talking points and policy prescriptions. As David Koch once explained, “What we needed was a sales force.”

Again, Fink was the man with the plan. In 1984, he and the Koch brothers formed Citizens for a Sound Economy. It was in essence the bizarro-world version of Ralph Nader’s Public Citizen. Where Nader fought to expand regulation, Citizens for a Sound Economy worked to eviscerate it. And where Nader battled corporate power, Citizens for a Sound Economy concentrated on harnessing it.

The group, fueled by donations from the Koch brothers, their company and various corporate backers, quickly developed political cachet within the Beltway. Its core mission consisted of promoting lower taxes and less government, for which it solicited large contributions from corporations with a direct financial interest in promoting or thwarting particular agendas. Microsoft donated \$380,000—Citizens for a Sound Economy lobbied Congress to cut the Justice Department’s antitrust enforcement budget. Three sugar companies chipped in \$700,000—the group mounted a campaign against an Army Corps of Engineers plan that would have encroached on cane-growing acreage in Florida’s Everglades.

One of Citizens for a Sound Economy’s most successful legislative coups was shooting down the Clinton administration’s proposed BTU tax. Clinton had pushed to tax fuels based on their heat content, giving a leg up to sustainable energy sources such as wind and solar power. Koch Industries considered killing the energy tax a matter of vital importance. (“Our belief is that the tax, over time, may have destroyed our business,” Fink later said.) According to a consultant who worked for Citizens for a Sound Economy in the 1990s, Fink approached the leading oil industry lobby and trade group with a plan to deep-six the BTU tax. “Rich walked into the American Petroleum Institute with a lump sum and said, ‘Will you match it?’” he recalls. “API and the oil companies matched it with a very specific targeted campaign aimed just at knocking out the BTU tax from that budget bill.”

Pioneering the kind of tactics it would rely on time and again, the group targeted key districts, launching surgical strikes of print and radio ads. “With his budget vote, your congressman controls your cash and your job,” one radio ad intoned ominously. “In next year’s election, you’ll control his job.”

The strategy, the consultant said, focused almost exclusively on swaying one critical Democratic senator—Oklahoma’s David Boren, a member of the Senate Finance Committee. “It was all geared to making it profoundly uncomfortable for Boren,” he says. Without his support, the tax was dead on arrival. When Boren came out against it, the battle was over.

The victory gave the exuberant freedom fighters at Citizens for a Sound Economy their first real taste of political power and a model for future legislative skirmishes. “They thought, ‘Wow, this is how it works, and it really works,’” the consultant says. “That sort of targeted money at a key senator or congressman, at a pivotal point in time. ... They took that initial victory and just made it a thing.”

When Obama took office, Democrats controlled the executive and legislative branches, just like at the start of Clinton’s presidency. Barack Obama, like Bill Clinton, had arrived in Washington with ambitious plans to overhaul the health care system and touted energy policies the private sector found loathsome. Fink and the Kochs had been there before. Same fight, different decade.

In late January 2009, as Fink strode into Koch Industries’ imposing dark glass and granite headquarters on the outskirts of Wichita, the nation’s economy was in free fall. The Obama administration, just a few days in office, was pressing forward with plans for a massive outlay of federal cash via a stimulus package of close to a trillion dollars.

Under the new administration, Fink believed, there was no telling how large the bureaucracy might balloon, how expansive and entrenched government programs might grow. The last time a Democrat had sat in the White House, the company had weathered one of the rockiest periods in its history, as environmental regulators and Justice Department lawyers mercilessly besieged Koch Industries.

This time around, Fink had been considering retirement, hoping to play more golf and spend time unwinding at his vacation home in Delaware’s Bethany Beach. But he and the Kochs had spent decades fighting their own kind of culture war to remake America into their free-market, small-government ideal, and now Obama threatened to roll back much of what they had achieved. Retirement could wait.

Obama frightened the Kochs. Charles considered him a “dedicated egalitarian” who had “internalized some Marxist models.” David, the more bombastic of the two, declared him “the most radical president we’ve ever had as a nation,” a leader steeped in the “hard-core economic socialist” politics of his Kenyan father.

The Obama administration, Fink told the brothers when they met that day in Wichita, was poised to push the country over the precipice. Labor unions, social programs, regulation, tax hikes—nearly everything the administration stood for, they stood against. The brothers had two choices, Fink said. They could keep their heads down and watch the country slide into oblivion, or they could come out swinging. Fink counseled jihad.

“If we are going to do this, we should do it right or not at all,” Fink told the brothers. “But if we don’t do it right, or if we don’t do it at all, we will be insignificant and we will just waste a lot of time, and I would rather play golf.” Fink warned the brothers that they would be placing not just their company but their legacies on the line. “If we do it right,” Fink cautioned, “then it is going to get very, very ugly.”

By this time, Citizens for a Sound Economy was no more. Internal disagreements had divided the group, with one faction going on to form FreedomWorks, and the Kochs and their allies founding Americans for Prosperity. As the Obama presidency began, AFP positioned itself at the vanguard of the Tea Party rebellion.

During the health care reform fight, the Koch brothers’ advocacy group began targeting vulnerable congressional Democrats with brutal attack ads. The spots, featuring a breast-cancer survivor, suggested that Democrats could end up costing Americans their lives by denying mammograms to women under the age of 50. These ads were rife with falsehoods—but they didn’t have to be true to be effective.

Eventually, Obama’s aides grew concerned by the AFP onslaught and settled on a simple strategy in response, which they would deploy repeatedly in the years ahead: Show voters that Americans for Prosperity was not the grass-roots group it claimed to be, but a vehicle for a shadowy corporate agenda.

One of the first shots came from David Axelrod, the president’s chief political strategist. In a September 2010 op-ed in the *Washington Post*, Axelrod singled out the Koch brothers by name as he detailed the “audacious stealth campaign being mounted by powerful corporate special interests that are vying to put their Republican allies in control of Congress.” Later, when Obama’s reelection team loosed its first ad of the presidential race, it targeted the “secretive oil billionaires attacking President Obama”—a.k.a., the Koch brothers. As the campaign unfolded, the Koch brothers took on the image of cartoonish robber barons. Protesters massed outside Koch Industries’ Wichita headquarters and marched up Park Avenue to David Koch’s apartment building.

Although the Kochs unquestionably made common cause with Republicans, Fink still considers it odd that the brothers have become so closely associated with the GOP since their politics don’t neatly fit that label. “I view them as classical liberals,” Fink says, arguing that increasingly Democrats have pushed them into the Republican orbit. (The fusillade of Koch network-financed political ads targeting Democrats surely didn’t help their standing with the party.) He finds some irony in the fact that the vaunted Koch seminars, whose roster of wealthy attendees fueled the anti-Obama uprising via AFP

and a web of allied groups, originally came into being in 2003 out of concern with the policies of the Bush administration. “Between the Fed policy and government spending and the aggressive foreign policy ... they were putting America on a path of decline,” Fink says. “We are concerned, equally concerned, about the direction of the country from both parties and don’t have tremendous confidence in either party.”

But the 2012 campaign, into which the Kochs and their allies poured some \$400 million, cemented their image as Republican bogeymen. At Fink’s urging, Charles and David Koch had mounted an unprecedented political effort—Charles dubbed it “the mother of all wars”—that left the balance of power unchanged but colored the way the country perceived them.

Fink brushes off the 2012 loss, telling me, “I believe the tradition we’re in goes through the patriots fighting the English, through the abolitionists fighting for freedom, through women’s suffrage, through people fighting for freedom in America. And in that tradition, you take lumps, you have successes, you have failures, but you need to keep up the struggle. Without the struggle, there can be no progress.”

The Koch network, retrenching after the failure of 2012, is expected to channel some \$300 million into the midterm elections, more than \$100 million of that through AFP. But Fink says he plans to focus more on disseminating ideas than doing political battle: “I don’t like the political arena. It’s not my view of a civil society. I don’t like the incentives. I don’t like what it does to people.”

When we talk, Fink is vacationing at his beach house. He had recently bought a La-Z-Boy and promptly parked himself in it: “I’ve just been reading foreign policy, philosophy. I’ve been reading the abolitionists. I’ve been reading some of the patriots of the Civil War.” He was mining these texts “for clues and ideas to apply to our programs.” Fink tells me he has relinquished day-to-day control of Koch Industries’ legal, lobbying and public affairs efforts, stepping down as CEO of Koch Companies Public Sector, though he remains a Koch executive and board member, in addition to serving as the president of the Charles Koch Institute. “I’m really working on this, what I call social change strategy,” he says. “I’m loving what I’m doing. I’m living the American dream.”